

MI-Health: Individual Insurance Market Reform

Please Note: This package reflects compromises made prior to the final passage of Federal Health Care Reform. Any necessary modifications to reflect federal law will take place during the committee process.

Individual Market Healthcare Reform Package (HB 6034-6037): This compromise package will make quality health care more accessible, affordable and accountable for all Michigan residents.

The Plan will:

- Guarantee health care access to all Michigan citizens by:
 - Requiring all carriers in the individual market to provide two guaranteed issue health plans; Standard and Enhanced. An individual cannot be rejected from either plan due to a pre-existing condition, and both plans will use incentives to provide health promotion and preventative care.
 - Establishing a Healthcare Affordability Fund, that will house the funds that Blue Cross Blue Shield would have been required to pay if they were subject to state and local taxes. Money in the fund will be used to subsidize the cost of the Standard and Enhanced guaranteed issue plans for residents with a household income up to 300% of the Federal Poverty Level.

The following CONSUMER PROTECTIONS are included in the bill package:

- Coverage limits for pre-existing conditions is reduced from 12 months to 6 months.
- A carrier cannot limit or exclude coverage because of a pre-existing condition for those moving from group coverage to individual coverage.
- Prohibits insurance plans from rescinding plans after an initial application.
- Individuals up to age 26 can be covered under a parent's individual market plan.
- Ends the practice of jacking up rates once an individual becomes ill.
- Ends gender discrimination in the purchase of health insurance.

Reforms to the INSURANCE MARKETPLACE include:

- A revised, modified file and approve rate-filing process for all carriers, which ensures that 100% of the individual market will be subject to Insurance Commissioner oversight with maintained Attorney General and public oversight of Blue Cross Blue Shield.
- Creation of the MI-Health Board to develop the Standard and Enhanced Guaranteed Issue plans. The board will be comprised of a variety of insurance carriers, health professionals, actuarial experts, and consumer groups. The board will have flexibility to design benefit plans that maximize coverage and affordability.
- Creation of the MI Catastrophic Protection Plan (MICAPP) to rein in the soaring cost of health care.
 - Money under MICAPP will be used to reimburse carriers for eligible claims expenses.
 - A carrier is eligible to receive reimbursement from MICAPP for 90% of claims paid between \$80,000 and \$800,000 in a calendar year that have been paid by the carrier on behalf of a covered enrollee.
 - Each carrier who practices in the individual market will pay an annual assessment into MICAPP. The assessment will be the sum of the estimate of total claims reimbursement for the year plus the estimated cost of administering MICAPP for the calendar year, divided on an equitable basis proportional to each carrier's share of the individual market.

Individual Market Reform: Access, Accountability, and Affordability

Access:

- This plan will guarantee health care access to all Michigan citizens and prohibit insurance companies from rejecting or jacking up rates on the sick.
- Under the plan, companies will be prohibited from cherry picking the healthiest individuals to cover, which drive up insurance rates and prevent some of the most vulnerable residents from obtaining care.
- A carrier can exclude or limit coverage on account of a pre-existing condition for only 6 months, rather than the current 12 month exclusion that is common practice among HMOs and commercial carriers.
- The plan also provides provisions in which a carrier cannot limit or exclude coverage because of a pre-existing condition for those moving from group coverage to individual coverage under certain conditions.
- The plan will prohibit the practice of rescission, in which a health company asserts a beneficiary had an unknown or unannounced pre-existing condition, and then rescind the policy.
- A health insurance carrier will not be allowed to incentivize agents to steer individuals away from the carrier's plans because of the health condition or claims experience of the individual.
- Under certain conditions, children up to age 26 can be covered under a plan in the individual market, even if the child is not longer considered a dependent.
- Two guaranteed issue health plans will be offered to Michigan residents by each carrier in the individual market: Standard and Enhanced. The plans will use incentives to provide health promotion and preventative care.

Accountability:

- A revised, modified file and approve rate-filing process for all carriers, which ensures that 100% of the individual market will be subject to Insurance Commissioner oversight with maintained Attorney General and public oversight of Blue Cross Blue Shield.
- The MI-Health Board is created to help develop the Standard and Enhanced Guaranteed Issue Health Plans. The board will be composed of a variety of insurance carriers, health professionals and actuarial experts, as well as a representative of the general public. The board will have flexibility to design benefit plans that maximize coverage and affordability for the state's residents.

Affordability:

- The plan creates the Michigan Catastrophic Protection Plan (MICAPP) Board to administer the Michigan Claims Fund.
- The Michigan Claims Fund is created to rein in the soaring cost of health care.
- Money in the Michigan Claims Fund will be used to reimburse carriers for eligible claims expenses. A carrier is eligible to receive reimbursement from the fund for 90% of claims paid between \$80,000 and \$800,000 in a calendar year that have been paid by the carrier on behalf of a covered enrollee.
- Each carrier who practices business in the individual market in this state will pay an annual assessment into the Michigan Claims Fund. The assessment will be the sum of the estimate of total claims reimbursement for the year plus the estimated cost of administering the Michigan Claims Fund for the calendar year.
- Each carrier's annual assessment will be divided on an equitable basis among all carriers, and will be proportional to each carrier's share of covered lives in the individual market. This will ensure that risk in the market is equitably spread among carriers.
- Blue Cross Blue Shield will use its earned subscription income to subsidize medical coverage for the senior population. 2/3 of the funding will be used to provide a subsidy for seniors with an income up to 300% of the Federal Poverty Level, the other 1/3 to seniors above 300% of the Federal Poverty Level.
- A Healthcare Affordability Fund will be established, which will house the funds that Blue Cross Blue Shield would have been required to pay if they were subject to state and local taxes. Money in the fund will be used to subsidize the cost of the Standard and Enhanced guaranteed issue plans for Michigan residents with a household income up to 300% of the Federal Poverty Level.

Detroit Free Press

<http://www.freep.com/article/20100410/OPINION01/4100315/1322/Smarter-health-coverage-for-Michigan>

4-10-2010

EDITORIAL

Smarter health coverage for Michigan

In a remarkable yearlong, bipartisan negotiation, a Democratic state representative and a Republican state senator have produced a framework for shoring up Michigan's individual health insurance market. Even with national health insurance reform looming, the Legislature needs to see their initiative through.

The package of bills comes from Rep. Marc Corriveau, D-Northville, and Sen. Tom George, R-Portage. They aim to keep the individual market for health insurance viable, competitive and fair.

Blue Cross Blue Shield, as Michigan's insurer of last resort, has a mandate to accept all applicants for individual health insurance. But that means it generally gets saddled with the sickest customers and those with pre-existing conditions -- the people most likely to be dumped or rejected by other companies -- and hence needs to charge higher rates to survive. This trend, known as adverse selection, is unsustainable.

Corriveau and George address the problem by developing a catastrophic coverage pool for use by all insurance companies and by requiring all insurers to accept a share of potentially high-risk customers in proportion to the overall amount of business they do in the state. This should go a long way to giving individual insurance customers more choices while also implementing, for Michigan, the high-risk pooling that is an early part of national reform.

George, who is a doctor, has put a high priority on using rates as tools to persuade Michiganders to become healthier by quitting smoking, maintaining appropriate weight, and complying with medical instructions and health screenings.

There are several other important aspects to the bills, including subsidies for working families to buy insurance. Those subsidies would be funded with a Blue Cross payment equivalent to the tax break it gets from the state as a not-for-profit organization. This new effort to expand insurance coverage is welcome.

Legislative committees still need to go over the entire plan carefully to make sure it levels the playing field in the way it's designed to and retains sufficient oversight of the industry. Corriveau and George already know some changes will be needed to make sure their plan meshes with the requirements of federal health care reform, which passed Congress just as they were finishing up.

But, as a pair, they have greatly improved on what started as rushed, lame duck legislation in 2008 -- and along the way shown that conscientious lawmakers can in fact work through partisan differences. Their colleagues need to respect that by keeping the bills on track for passage.

Crain's Detroit Business

<http://www.craigslist.com/apps/pbcs.dll/article?AID=/20100411/SUB01/304119995/1069#>

4-11-2010

Bill seeks state health care reform plan

By Jay Greene

Despite Congress' approval last month of a comprehensive health care reform package, Michigan's top two health policy legislators contend the state can benefit by approving its own version of health care reform this spring.

By using an estimated \$82 million annual payment in lieu of taxes from **Blue Cross Blue Shield of Michigan** and millions of dollars in expected federal dollars to ensure high-risk individuals, Michigan can provide subsidies for up to 1.2 million uninsured residents to purchase customized private health insurance policies, said Sen. Tom George, R-Kalamazoo and Rep. Marc Corriveau, D-Northville.

The two have been working on legislation to reform the individual health insurance market and add consumer protections for more than a year.

"Our plan has no new taxes and no mandates," said George, chairman of the Senate's health policy committee. "We can do this ... in six months. This bill puts us out front of any state in health care reform."

Corriveau said the bills could complement and enhance federal legislation that, in some cases, won't be implemented for several years.

For example, the federal bill allows states to set up health insurance exchanges that would allow individuals to purchase health policies at affordable rates. But the exchanges won't be in place until 2014.

"Our plan allows all carriers, commercial insurers, HMOs and Blue Cross, to offer standard and enhanced benefit plans where consumers can choose and cannot be rejected for pre-existing conditions," said Corriveau, chairman of the House health policy committee. "This expands the safety net."

Under a four-bill package introduced last month in the state Senate and House — Senate Bills 1242-1245 and House Bills 6034-37 — insurers could not rescind, cancel or limit existing policies unless the subscriber intentionally provided false information in the application.

Under current law, Blue Cross is required to take all applicants as the state-designated insurer of last resort. Other carriers may refuse people coverage because of medical conditions, a practice known as medical underwriting.

The bills also would create the Michigan Catastrophic Protection Plan Board, or MI-CAPP, which would be created in the state Office of Financial and Insurance Regulation. The six-member board would oversee the newly created Michigan Claims Fund, which would use the Blue Cross funds and other assets, to reimburse commercial carriers and HMOs for eligible claims of high-risk individuals and those with pre-existing conditions

House Bill 6240-6241

Consumer protections/reforms to the Insurance Marketplace included in HB 6240/6241:

- Carriers can no longer consider pre-existing conditions for children.
- Carriers must post rate increases prior to implementation in the marketplace.
- Carriers must adhere to a medical loss ratio of 85% for Large, and 80% for Small/Individual policies with a rebate to consumers if exceeded.
- Carriers can not place lifetime limits on any policy.
- Carriers can not charge consumers for certain preventive/cost saving medical procedure
- Prohibits insurance plans from rescinding plans after an initial application.
- Individuals up to age 26 can be covered under a parent's health plan. (HB 6240/6241)

